

HOUSE BILL REPORT

HB 1091

As Reported by House Committee On:
Economic Development, Agriculture & Trade
Appropriations

Title: An act relating to providing additional funding for the community economic revitalization board's programs.

Brief Description: Providing additional funding for the Community Economic Revitalization Board's programs.

Sponsors: Representatives Linville, Newhouse, Flannigan, Grant, McCoy, Chase, Morrell and Kilmer; by request of Department of Community, Trade, and Economic Development.

Brief History:

Committee Activity:

Economic Development, Agriculture & Trade: 1/25/05, 2/2/05 [DP];
Appropriations: 2/16/05, 3/5/05 [DPS].

Brief Summary of Substitute Bill

- Makes eligible for financial assistance under the Community Economic Revitalization Board (CERB) projects that assist in retaining Washington's military-related private sector businesses.
- Authorizes the Department of Community, Trade and Economic Development and CERB to enter into agreements necessary to implement the Small Business Incubator (SBI) program and authorizes CERB to make expenditures from the SBI account.
- Appropriates \$4.5 million GF-S to the Public Facility Construction Loan Revolving Account.

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT, AGRICULTURE & TRADE

Majority Report: Do pass. Signed by 23 members: Representatives Linville, Chair; Pettigrew, Vice Chair; Kristiansen, Ranking Minority Member; Skinner, Assistant Ranking Minority Member; Blake, Buri, Chase, Clibborn, Condotta, Dunn, Grant, Haler, Holmquist, Kenney, Kilmer, Kretz, McCoy, Morrell, Newhouse, Quall, Strow, P. Sullivan and Wallace.

Staff: Tracey Taylor (786-7196).

Background:

The Community Economic Revitalization Board (CERB) program was created in 1982 to provide direct low-interest loans and grants to counties, cities and special purpose districts for economic development-related infrastructure improvements. The CERB financing is available for public improvements that include the acquisition, construction, or repair of:

- domestic and industrial water, sewer and stormwater infrastructure;
- bridge, railroad, electricity, telecommunications and road improvements;
- buildings and structures;
- port facilities; and
- feasibility studies.

The CERB financing must be necessary to either bring a new business into a community, or expand or retain an existing business that is already located in the community.

Summary of Bill:

The CERB may provide financial assistance to projects that will assist in retaining the state's military-related private sector businesses. In addition, the Department of Community, Trade and Economic Development (DCTED) may enter into an agreement with CERB to implement the Small Business Incubator (SBI) program. The CERB may serve as the DCTED's designee in making expenditures from the SBI account.

Appropriation: The sum of \$2.25 million GF-S for FY 06; \$2.25 million GF-S for FY 07.**Fiscal Note:** Available.**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.**Testimony For:** The public infrastructure financed by CERB is valued by its public sector partners and the private sector beneficiaries. This is due in great part to the responsiveness of the program. Since 1992, the \$92 million of CERB investment has created and retained nearly 22,000 jobs, led to over \$2.3 billion in actual private capital investment, and generated an estimated \$57.8 million in new annual state and local taxes. Being one of the state's best economic development tools, the demand for CERB funding continues to surpass the available funds; however, CERB lacks a sufficient permanent revenue source. This bill would provide a bridge for the next biennium while waiting for a permanent revenue source to be identified.

The language referencing the military-related industry does not expand the program as a project would still need to be eligible to receive CERB funds; it merely sends a message to the Department of Defense that we support our military-related industry. The bill also authorizes CERB and DCTED to enter into an agreement regarding the administration of the SBI program and funds. This is voluntary and would not change any of the requirements governing the SBI

program. It would merely save DCTED from setting up a separate administrative structure to administer the SBI program and would lend the expertise of the CERB members and staff to the SBI program.

(With concerns) There are concerns in the nonprofit small business incubator sector that the requirements of the CERB program will be applied to the funding of the SBI program. CERB does not distribute grants or loans to private nonprofits whereas many small business incubators in Washington are private nonprofits.

Testimony Against: None.

Persons Testifying: (In support) Dara Fredericksen, Department of Community, Trade and Economic Development; Miland Walling, Community Economic Revitalization Board; Scott Taylor, Washington Public Ports Association; Jim Rothlin, Port of Chehalis; Ron Newbry, Washington Economic Development Association; and Rick Slunaker, Associated General Contractors of Washington.

(In support with concerns) Jamie Beletz, Washington Association of Small Business Incubators; and Bob Gee, Metropolitan Development Council.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 28 members: Representatives Sommers, Chair; Fromhold, Vice Chair; Alexander, Ranking Minority Member; Anderson, Assistant Ranking Minority Member; McDonald, Assistant Ranking Minority Member; Armstrong, Bailey, Buri, Clements, Cody, Conway, Darneille, Dunshee, Grant, Haigh, Hinkle, Hunter, Kagi, Kenney, Kessler, Linville, McDermott, Miloscia, Pearson, Priest, Schual-Berke, Talcott and Walsh.

Staff: Nona Snell (786-7153).

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Economic Development, Agriculture & Trade:

The substitute bill strikes the appropriation.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: The bill was requested by the DCTED. The DCTED provides staffing support to the CERB. The CERB finances infrastructure for public entities where businesses need enhanced infrastructure to expand, retain, or move to the community. An estimate of the

CERB demanded projects would leverage \$58 million in private investment, which includes job opportunities. The CERB is seeking an ongoing revenue source to meet the demand for CERB projects. Including military-related projects in the bill sends a message to Washington D.C. that Washington supports bases and contributes to economic development.

Testimony Against: None.

Persons Testifying: Scott Taylor, Washington Public Ports Association; Judy Boekholder, CERB; Julie Wilkerson, DCTED; Paul Parker, Washington State Association of Counties; Rick Slunaker, Associated General Contractors; and Ron Newbry, Washington Economic Development Association.

Persons Signed In To Testify But Not Testifying: None.